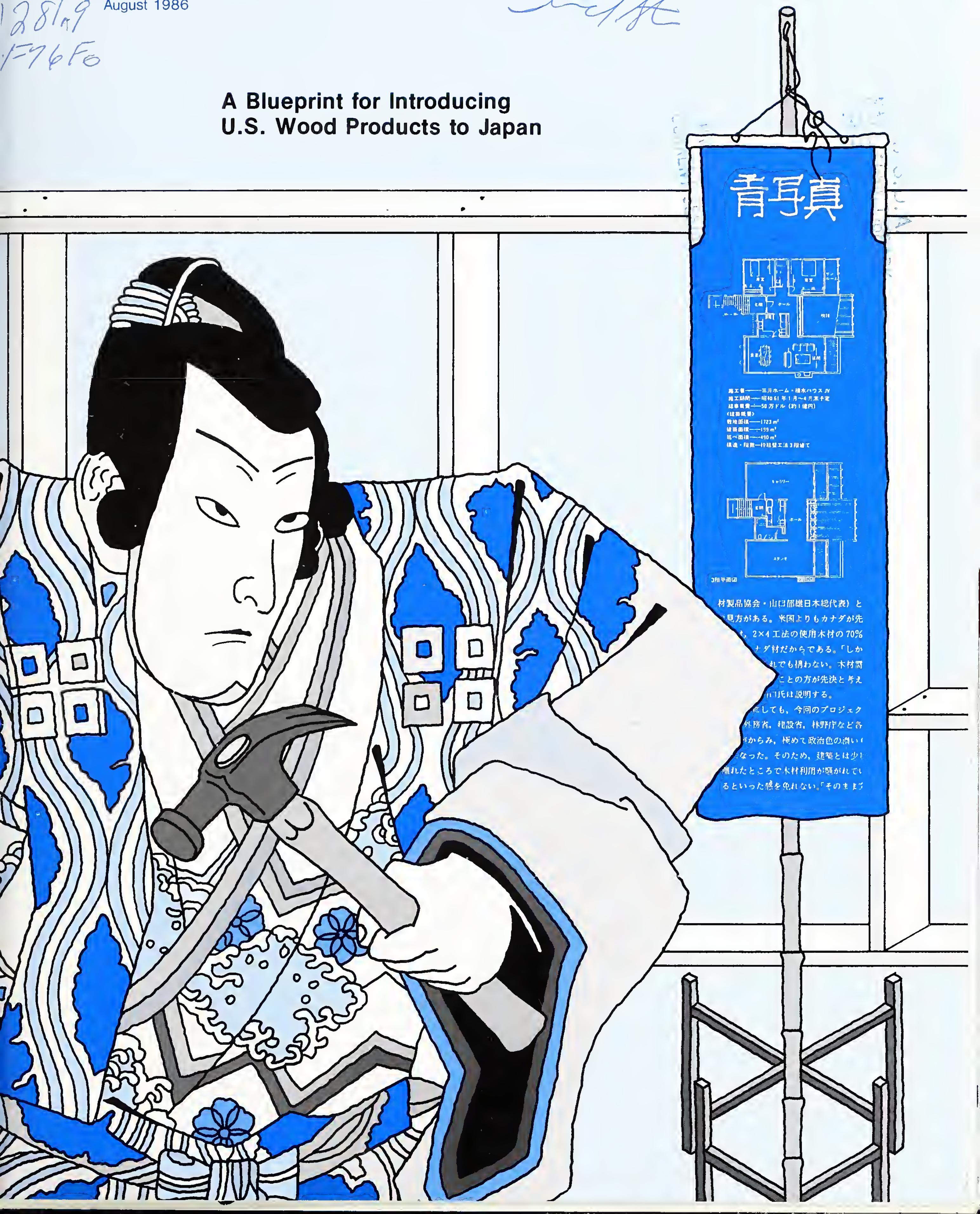
United States
Department of Agriculture

Foreign Agricultural Service

Foreign Agriculture

August 1986

A Blueprint for Introducing U.S. Wood Products to Japan



Marketing News

1987 NASDA Food Show Planning Underway

The third biennial Food & Agriculture Exposition, sponsored by the **National Association of State Departments of Agriculture,** will be held April 29, 1987, in Seattle, Wash. Seattle was chosen as the location for the show so that visitors from Pacific Rim nations could meet U.S. companies while en route to other U.S. locations.

A major theme of the three-day exposition will be trade opportunities within the Pacific Rim nations. The exposition is the only food and related products show designed exclusively to make U.S. products and suppliers from all parts of the country easily accessible to traders from around the world. The first two shows attracted visitors from more than 80 nations. For further information, contact Farrell Higbee, (202) 628-8096.

Soybean Oil Promotion Builds New Markets in U.K.

The **American Soybean Association** has been promoting soybeans and soybean products in the United Kingdom for several years, with impressive results. Part of the Association's success has been increasing recognition of identified soybean oil. Although soybean oil was available on British supermarket shelves, oil processors were blending low-cost soybean oil with other vegetable oils and then selling it to consumers as unidentified vegetable, cooking or salad oils. The Association's Brussels office designed a program to increase consumers' recognition of soybean oil as a premier, high-quality food product.

As a result, "73 percent of the U.K.'s major grocery stores now carry cooking oils made with soybean oil," said Dennis Blankenship, head of the Brussels office. "And consumer use of cooking oils, which are identified on the bottle as soybean oil, has increased 32 percent in volume and 57 percent in value."

The Safeway food store chain now labels its store brand of cooking oil as "pure soya oil"; previously it had been labeled as "vegetable oil". Safeway is one of 18 soybean oil marketers that now identify their product as soybean oil. Before the promotion, there were only two.

Now the Association is setting its sights on the margarine industry. A year ago, no margarines in England listed soybean oil as an ingredient. Today, three leading supermarkets are labeling their margarines as made with soybean oil. Negotiations with other supermarkets and margarine manufacturers indicate that several more margarine products may be identified as made with soybean oil by year's end.

ATO/Hamburg Has Things Popping in Germany

This past spring, the **U.S. Agricultural Trade Office** in Hamburg, in cooperation with a West German importer and distributor, promoted U.S. popcorn in 1,000 retail outlets throughout the country. This was the first such promotion for U.S. popcorn in the German market. The promotion, featuring a 500-gram retail pack of U.S. raw popcorn identified with the "USA QUALITY FOODS" logo, resulted in sales of over $415,000.

As a result of this activity, the West German firm increased its retail sales of U.S. popcorn by 55.7 percent over a year earlier. The firm also reported a 124-percent increase in the value of retail sales.

As a result of this success, the West German company will continue the promotion. This time, U.S. popcorn will be promoted in the fresh fruit and vegetable sections of retail outlets, where it is believed sales opportunities are greatest. In addition, another large West German importer/distributor is now interested in doing a similar retail promotion for U.S. popcorn.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

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Cover by Richard Barnes

Features

Model House Showcases U.S. Wood Systems in Japan 4

Summit House is a government/industry promotional effort designed to demonstrate the quality and durability of U.S. wood products.

U.S. Corners High-Quality Beef Market 8

Despite their relatively small share of the beef market, U.S. exporters are the world's predominant suppliers of high-quality, grain-fed beef.

World Dairy Giants Vie for Markets 12

Competition is fierce for world dairy trade, which only accounts for 5 percent of the world's milk production.

Humble Potato Becomes "Good-Meal Ambassador" to Japan 14

Thanks to efforts by the Potato Promotion Board, U.S. exports are a sizzling success in Japan.

Potted Plants Are Growing in Popularity in the U.K. 16

The U.K.'s increased interest in indoor gardening could open up opportunities for U.S. exporters.

"West Is Best," Say WUSATA States to Foreign Buyers 18

Twelve Western states, through their regional association, are pushing for larger exports of food products.

Middle East Poultry Market Moving Toward Self-Sufficiency 20

One of the world's leading poultry import markets is rapidly boosting its domestic production, making competition keener than ever.

Departments

Marketing News 2

Country Briefs 22

Model House Showcases U.S. Wood Systems in Japan

By David Garten

Summit House, a three-story wood structure showcasing the latest U.S. timber framing and structural wood panel technology, is the newest venture of the U.S. forest products industry aimed at expanding the Japanese market for U.S. wood products.

The 5,000-square-foot house, built of donated U.S. wood products in Tokyo, was officially opened to the public in May. The full-scale model demonstrates U.S. construction practices and techniques, the use of structural wood panels and lumber products and advanced U.S. building systems and their applications in a multi-story, all-wood framed building.

Project Counters Unfair Trade Practices

Although Japan is the largest market for U.S. forest product exports, nearly 80 percent are in the raw material form of logs and chips. The U.S. forest products industry wants greater access to Japan's construction industry for a range of processed wood products which are restricted by a variety of barriers.

The industry is seeking the elimination of import tariffs on veneers, lumber, laminated products, moldings and panel products, as well as development and revision of product standards.

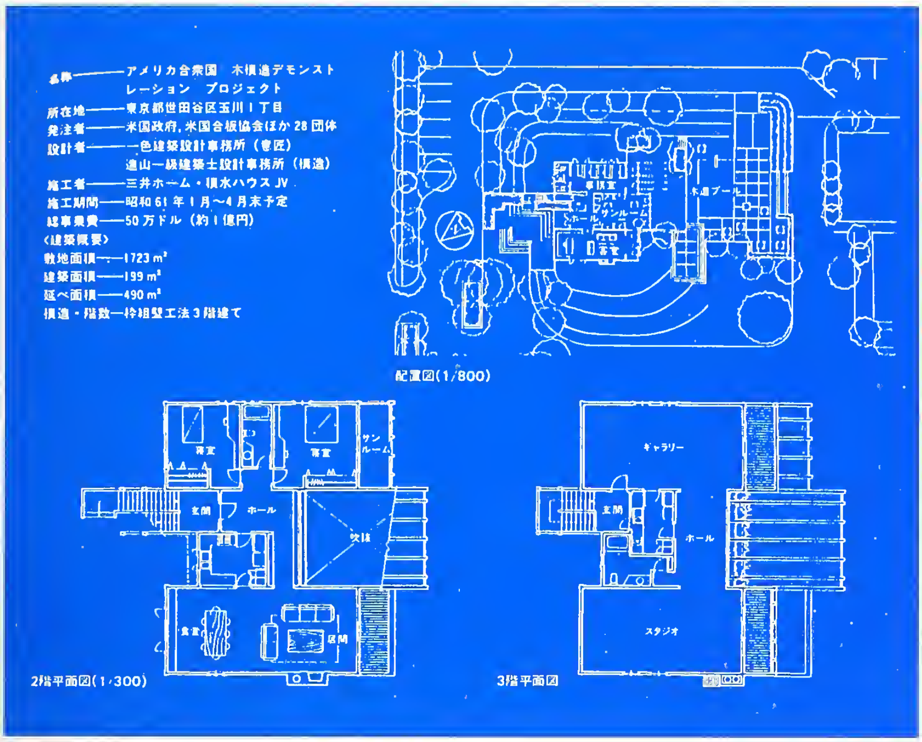
The Summit House project is part of a $1.95-million market development program for U.S. wood products in Japan announced by the U.S. Department of Agriculture in April to counter unfair trade practices.

Promotional activities on behalf of the U.S. wood industry are being carried out cooperatively through an agreement between USDA's Foreign Agricultural Service (FAS) and the American Plywood Association, a nonprofit commodity organization which has worked with FAS on promotional programs since 1979.

Trade Talks Pave the Way

The Summit House project is an outgrowth of market-oriented sector-selective negotiations—dubbed the MOSS talks—between the two countries.

Designed to identify trade barriers and develop a schedule for their removal, the talks centered on four key sectors—including forest products—chosen for their market size in Japan and strong U.S. competitive position.



Following a year of intensive negotiations, the U.S.-Japan MOSS Forest Products Group reached an interim agreement last January on tariff reductions.

Japan pledged to reduce tariffs on veneers, lumber, laminated products, moldings and panel products other than plywood. Plywood tariff reductions will occur in two stages—in April of 1987 and 1988. The Forest Products Group also committed itself to the development of new and revised product standards for laminated lumber and nonveneered panel products by the end of the year.

With the progress achieved in the MOSS talks, the next step was to promote the use of U.S. forest products in Japan. During the talks, the United States offered to build the model house to demonstrate the advantages of energy-efficient and economical wood buildings.

"The Japanese building industry was very interested and supportive, donating both materials and services to the project," said Larry Blum, deputy director for marketing with the FAS Forest Products Division. "The government of Japan also was quite supportive—in fact, its role was critical to the success of the project."

House Promotes Advantages of Wood

The demonstration model was seen as a way to convince the Japanese that with U.S. materials and techniques, they can build strong, durable houses. U.S. wood systems also can offer high-quality, energy-efficient housing at more affordable prices than steel and masonry construction.

Although the Japanese have a long tradition of living in wood houses, they are building more cement and steel structures today because of concern for fire, earthquakes and other disasters.

"Japan's history of earthquakes and the fire bombings during World War II led to the development of stringent building and product requirements," Blum said. "The Japanese building code and zoning laws generally prohibit the construction of wood buildings higher than two stories.

"We appreciate their concerns, but we believe that modern wood building systems will not only meet the performance characteristics of steel and masonry construction, but will perform better," he said. "Summit House offers the Japanese a cost-effective alternative to meet their growing housing needs—an alternative that more than satisfies their safety requirements."

Documentation shows that wooden structures fare better than masonry construction in earthquakes. Also, in certain fire situations, wooden beams will continue to perform longer than steel.

House Modified To Meet Regulations

Although multi-story wood houses are prohibited, Summit House was granted a special permit by Japan's Ministry of Construction. The Ministry, however, would not agree to a cost-efficient wood basement—which was to demonstrate decay resistance—or a wood roof.

As a compromise, the house has a copper roof, and a wooden pool made of materials pressure-treated with decay-resistant chemicals was built outside.

Tokyo architect Yuji Noga designed the structure as a multi-purpose building, combining office and living accommodations with space on the third floor for a studio or workshop.

Floors are made of plywood, waferboard and oriented strand board (compressed wood fibers bonded with resin) over heavy timbers or wood I-beams. The walls use 2x6-inch studs, allowing for increased insulation.

Other Projects Around the World

While the U.S. wood products industry gears up to take advantage of the opportunities generated by the Summit House project, it is also busy in other parts of the world.

In China, the American Plywood Association is promoting U.S. construction materials and systems for wood houses and other applications. Last winter, a two-story model house opened to the public in Beijing to show the Chinese that wood is strong, economical and easy to work with.

With the assistance of a U.S. construction specialist sent in by the American Plywood Association, a local crew erected the house in three weeks. The 1,098-square-foot structure includes a combination living/dining room, kitchen, bathroom and four bedrooms.

The structure of the walls, roof and floor of the house was designed to withstand earthquakes and high winds.

The project is sponsored by the China National Native Produce and Animal By-Products Import and Export Corporation and the American Plywood Association. The house was produced with the support of FAS and the Micronesia Institute.

Several countries in Latin America and the Caribbean also have received model houses as the result of the combined efforts of the American Plywood Association and the Southern Forest Products Association.

Demonstration houses, affordable by low and middle-income families, were built in Peru, Chile, Ecuador, Barbados, the Dominican Republic and Jamaica this fiscal year, and are planned for Guatemala next year.

Materials Tested for Approval

The strength and durability of these wood materials are being tested for approval under the Japanese Agriculture Standards. In addition, the Ministry of Construction will review regulations on platform frame construction with an eye toward approving the building system for large structures.

"Summit House is a cooperative effort by the governments and industries of the United States and Japan with the common objective of increasing wood utilization in Japan," Blum said. "We are confident that this cooperative spirit will continue, resulting in changes in construction regulations that will allow greatly expanded multi-use wood construction.

"We hope the demonstration house will revitalize Japanese interest in wood construction in general," he added. "Although the Japanese Forestry Agency has been trying hard to promote wood houses, there is an overall stagnant demand for wood products. If the Summit House is successful in creating new demand for wood, it will help the sagging Japanese lumber industry as well."

Media Coverage Generates Interest

News media and trade publication reporters have flocked to the site since February when the American Plywood Association sent framing and drywall crews to Tokyo to begin the 83-day construction project. News reports, feature articles and television interviews covering every phase of the project have attracted the public's attention, drawing thousands to the site even before the structure was completed.

For the next three years, Summit House will be used as a site for seminars, workshops and training on U.S. wood systems. Following that, it will be turned over to the people of Setagaya Ward, the section of Tokyo in which it is located, to be used as a community center. ■

The author is with the Information Division, FAS. Tel. (202) 447-2375.

U.S. Corners High-Quality Beef Market

By Cristal Quinn

In terms of volume, the United States has only a 3-percent share of world trade in beef. That doesn't sound like much unless the beef happens to be the expensive, high-quality, grain-fed variety.

U.S. beef exports were valued at $427 million in 1985. That figure places the United States among the top three beef exporters.

Forecasts call for U.S. beef and veal exports to continue their upward trend. With the help of creative promotional work, more markets could be opened or expanded.

Adding to the overall stability of the U.S. beef export situation is the fact that U.S. high-quality beef enjoys a comparative advantage on the international market. U.S. producers have more incentive than their foreign counterparts to produce high-quality beef because of strong domestic consumer demand for this kind of beef and because of abundant supplies of feed grains.

Moreover, since the United States primarily supplies the hotel and restaurant trade rather than the manufacturing beef market, it has been able to avoid direct competition with other major suppliers.

The U.S. advantage is borne out by the fact that U.S. beef exports continued to increase even through the period when the dollar was the strongest.

High-Quality Versus Grain-Fed Beef

Although other countries could produce high-quality, grain-fed beef, the United States remains the primary producer and supplier of this type of beef.

High-quality beef is defined as meat from cattle not over 30 months of age which have been fed 20 pounds total feed per day for 100 days or more on a nutritionally balanced, high-energy feed concentration of at least 70 percent grain.

In terms of volume, grass-fed or manufacturing-type beef accounts for most of beef traded in the world. Argentina, New Zealand, Australia, Brazil and the European Community (EC) are the major suppliers. Except for the EC, these countries enjoy the advantages of low-cost rangeland and labor.

The United States does not produce much grass-fed beef and, in fact, must turn to foreign suppliers to fill demand. Higher production costs place U.S. grass-fed beef at a disadvantage in the domestic market. What grass-fed beef is produced here is primarily a byproduct of the cow-calf and dairy industries.

Most Consumption Patterns Declining

Around the world, consumers in general are eating less beef. Annual consumption was down from about 38 pounds in 1980 to about 36 pounds in 1984. In the United States, however, beef consumption was about 108 pounds in 1984, up 3 pounds from 1980.

Despite the global trend, decreased consumption has not caused U.S. beef exports to fall below previous levels. That is due to the stable demand for grain-fed beef.

The countries that consume the most beef are the United States, Argentina, Uruguay, New Zealand and Australia. All of these countries, except the United States, are major producers of grass-fed beef; and all are more than self-sufficient in beef supplies.

Per capita consumption of beef among the major beef producers—Australia, New Zealand and Uruguay—is decreasing. Beef consumption also is falling in Canada, Germany, Brazil and Venezuela.

In a number of cases, the reason for the decline seems to be a shift in consumer preferences. In Australia and Germany, pork consumption has been increasing slightly. In Canada and Venezuela, poultry consumption is on the rise.

In contrast, Japan, Saudi Arabia, Panama and Egypt all have increasing per capita consumption of beef. However, most of the increased beef consumption is of the grass-fed variety.

Four Markets Take Most U.S. Exports

Japan, Canada, the Bahamas and Saudi Arabia account for about 90 percent of U.S. beef exports. Japan imports 80 percent, while Canada, the Bahamas and Saudi Arabia combine for 10 percent. The remaining 10 percent is distributed among approximately 70 other countries.

Japan—Although Japan is the largest market for U.S. beef, the United States provides only 40 percent of Japan's requirements. Imports of grass-fed beef—the major portion of Japan's imports—are filled primarily by Australia which holds 54 percent of the Japanese beef market. New Zealand, Canada and the EC are minor suppliers.

High-quality beef is used in Japan primarily by the hotel and restaurant industry. However, the Japanese have an appreciation for heavily marbled beef, making Japan one of the few countries that has significant consumer demand for grain-fed beef.

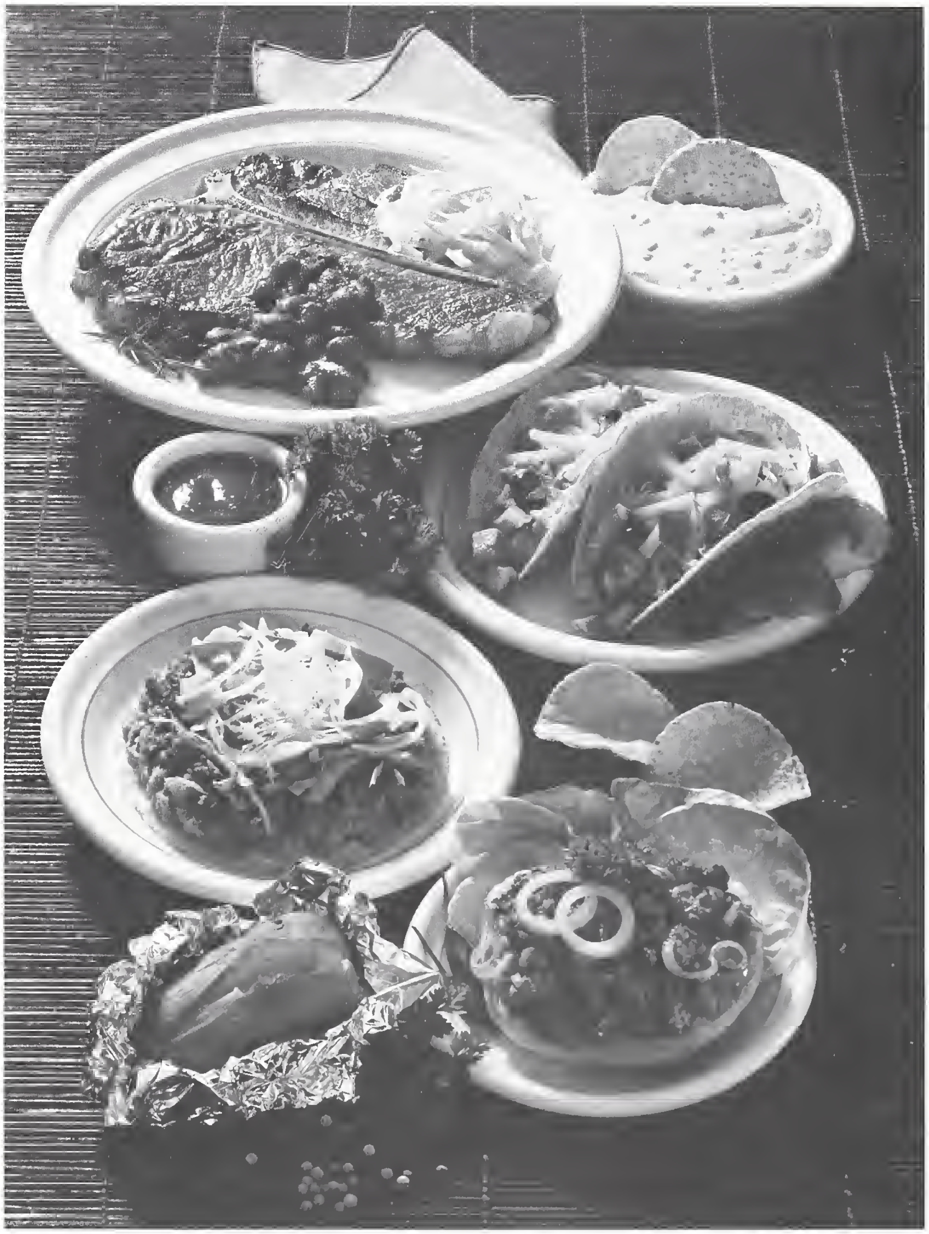
Developing product familiarity can be a problem in countries that eat only lean beef. For the most part, such is not the case in Japan, where quotas are the only real barrier slowing down more rapid growth in the market.

Canada—Because of its proximity to the United States, Canadians sometimes find it cheaper to import beef from the United States rather than ship to and from different areas within Canada. Domestic demand for high-quality beef does exist; and, like Japan, lack of product familiarity is not an issue.

The United States usually ranks third among Canada's major traditional beef suppliers, with Australia and New Zealand leading the field.

In 1984, however, the EC increased its share, becoming the largest beef exporter to Canada. The EC, faced with an oversupply of beef, lowered its prices and flooded the market with cheap beef. That year, EC sales in Canada accounted for 37 percent of the market; New Zealand supplied 27 percent; Australia, 18 percent; and the United States, 17 percent.

As a result of the EC raid, Canada placed a quota on EC beef exports; it does not, however, affect U.S. high-quality beef shipments.



Bahamas—Bahamian beef imports from the United States last year showed a slight decrease because of the declining tourism and the strength of the U.S. dollar. The situation could change because tourism is expected to pick up. The recovery is due to a weakened U.S. dollar at a time when U.S. tourists are avoiding Europe and the Middle East because of threats of terrorism.

The United States accounts for most of the Bahamas' imported beef, a 90-percent share. Canada supplies about 9 percent of the market.

Saudi Arabia—The Saudi hotel and restaurant industry, which caters to a large number of business visitors, was expanding rapidly until falling oil prices brought a drastic decline in the country's business activity. As a result, there has been a slight decrease in U.S. beef shipments.

The EC, Australia and the United States are the major suppliers to Saudi Arabia. The EC supplies 86 percent of the Saudi market, and the United States and Australia each supply 6 percent.

Promotions Expand the Market

The possibility of opening new markets and expanding old ones still exists. As exporters become more aware and concerned with the different markets, U.S. exports should increase. There are still markets that are not familiar with U.S. high-qualilty beef or its availability. Even in places like Japan, which buys a majority of U.S. beef exports, there are some consumers unfamiliar with the attributes of U.S. beef.

Working to make U.S. beef a familiar food in every kitchen, the U.S. Meat Export Federation, in tandem with the Foreign Agriculture Service, is active in a number of a market development projects.

Established in 1976, the Federation is a nonprofit trade association—its task is divided between promotional activities to stimulate demand for U.S. meat and efforts to facilitate market access. Based in Denver, it currently maintains offices in Tokyo, Singapore, Hamburg and Caracas.

In its 10-year history, the Meat Export Federation has participated in two rounds of trade negotiations with Japan and helped to increase Japan's high-quality beef import quota from 6,800 metric tons in 1977 to 58,400 tons by 1988.

The association also has been active in dealing with trade problems with the EC, Mexico, Canada and Egypt.

In the area of market development, consumers and tradespeople throughout Europe and the Latin American/Caribbean region have received various types of informational brochures explaining the quality and nutritional value of grain-fed beef. The Federation is also active in the media, at trade shows and in product demonstrations and seminars.

Market Gains Through Negotiations

In addition to market development, markets for U.S. high-quality beef were obtained or expanded through negotiations.

During the Multinational Trade Negotiations of 1979, the United States gained access quotas for its high-quality beef into various countries. The tenets of the agreement are still in force. Here are some highlights of the pact.

Switzerland—As a result of the MTNs and in exchange for access to the American cheese market, Switzerland opened a global quota of 2,000 tons of high-quality beef of which 700 tons is set aside for the United States. This was in addition to a 300-ton quota that had been agreed to previously.

Access has been difficult because the Swiss have tied imports to the purchase of domestic beef. The only authorized importers are Swiss butchers. Anyone wanting to import beef, including the hotel and restaurant industry, can do so only through three butcher organizations.

The Swiss butchers are required to purchase all beef offered to them by the domestic producers, usually at high domestic prices. In turn, the butchers are granted licenses based on domestic cow slaughter. This severely limits U.S. imports because Swiss butchers make a better profit margin buying the cheaper beef from exporters like Argentina, Zimbabwe and Uruguay than by purchasing a higher priced beef from the United States.

Demand by end-users for U.S. meat in Switzerland is blocked due to the combination of licensing restrictions and the difference in profit margin. Yet the end-users can afford the higher priced beef and are willing to purchase it. Unless the end-users' demand for high-quality beef is able to surface, U.S. beef exports to Switzerland will most likely remain low and not fill the 1,000-ton quota.

Austria—In return for access to the U.S. cheese market, Austria granted a quota for fresh, chilled or frozen high-quality beef cuts for use in hotels and restaurants. This quota in 1979 was 300 tons and is to increase to 600 tons this year. However, Austria's obligation to import beef is tied to its exports of beef and live bovine animals. This provides the Austrian government a means of deferring or even suspending the quota.

As in Switzerland, the U.S. beef quota for Austria has not been filled. The main reason being Austria's old import license system. The system contained some regulations that made importing U.S. beef so expensive and difficult that importers preferred not to deal with the problem.

After the import licensing system was changed in 1982, many more licenses were requested, but not all were used because of the price of U.S. beef compared to other beef. Now that the dollar is weakening, more U.S. beef could be going to Austria.

European Community—As a result of the Tokyo Round of the MTNs, the EC granted the United States a 10,000-ton quota for high-quality beef at a 20-percent tariff with no variable levy. U.S. shipments to the EC have been low because of the oversupply of EC beef due to the EC's heavily subsidized beef production and dairy programs.

Tips for Meat Exporters

Before U.S. beef exporters pack their bags and order books for a business trip abroad, there are a few tips they should note.

Ritual Slaughter—Many countries and ethnic groups have special ritual slaughtering requirements. The exporter is responsible for obtaining the slaughter certificates proving the slaughter was done as required.

For example, Islamic law requires a Halal certificate from an approved Islamic center as well as the regular USDA export certificate. Most of the U.S. beef exports to Islamic nations are in the Middle Eastern and Asian Muslim markets. Although these markets may not be major importers of U.S. beef, they are growing markets which the United States could lose if it does not adhere to the requirements.

Ritual slaughtering procedures and other requirements have to be taken seriously. Any attempt at fraud or forging export certificates is not only illegal, it also hurts the chances of other U.S. exporters.

Tariffs—Tariffs can be used to raise prices of imported products in order to protect domestically produced products and industries. For instance, Mexico has a 50-percent import tariff on beef.

Import Licenses—Import licenses are required for certain products in specific countries. These can be used to control the amount of imports of the product. In some countries, the requirements for obtaining an import license are costly and difficult.

In the EC, for example, a deposit is required as a surety on the amount of beef the importer intends to import before the meat is even shipped. ■

The author recently completed an internship in the Dairy, Livestock and Poultry Division, FAS.

World Dairy Giants Vie for Markets

By John J. Reddington

The international market for dairy products is a small, highly competitive one. Trade is characterized by a proliferation of barriers and import controls in all major developed countries as well as widespread use of subsidies and other assistance measures to dispose of surpluses.

Access to all markets in developed industrial countries is tightly controlled for butter, cheese and other milkfat products. Apart from New Zealand's butter exports to the United Kingdom, international trade consists almost exclusively of exports form Western developed countries to the USSR, Eastern Europe and developing countries, particularly in the Middle East and North Africa.

Fierce Competition for Markets

Approximately 95 percent of the world's production of milk is consumed in the country of production. As a result, only 5 percent is made into dairy products that enter international trade. And competition for that trade is fierce.

The European Community (EC) is the world's largest dairy exporting region, followed by New Zealand and the United States.

The EC produces nearly one-fourth of the world's milk. Although EC consumption of milk and dairy products is very high, the Community produces a substantial surplus of milk.

A milk delivery quota scheme was instituted in 1984 to reduce surplus milk output. Even with the quotas in place, the Community continues to produce over 15 million tons (3 percent of world output) more milk than its consumers use.

This milk, manufactured into dairy products, is exported with substantial government subsidization, fed to livestock and poultry or accumulated in storage.

New Zealand—Small Producer, Big Exporter

By international standards, New Zealand is a relatively small dairy producer. Total milk production is a little less than 12 percent of that of the United States. It accounts for less than 2 percent of total world milk output.

Yet New Zealand is a major supplier to the relatively small international dairy market. It accounts for one-fifth of world dairy trade if intra-EC trade is excluded. The New Zealand Dairy Board is the largest single trader of dairy products in the world.

For products such as casein, New Zealand accounts for 45 percent of world trade. Nearly all milk powder products and virtually all casein is produced for export. Domestic butter and cheese consumption accounts for less than one-fifth of total butter production and only one-fourth of cheese production.

About three-fourths of New Zealand's production of butter and cheese, and 95 percent of casein and milk powders are exported.

U.S. Is Small but Crucial Player

The United States is a rather small player in the international dairy market, yet it has a major influence on world dairy trade. This is especially true in nonfat dry milk exports, as the United States has emerged as the largest exporter since 1983. This will most likely continue in 1986 and 1987.

Additionally, the 1985 Farm Bill mandates that 150,000 tons of dairy products be sold during each of fiscal years 1986-88, specifically 100,000 tons of butter and 50,000 tons of cheese. These sales will be in addition to normal commercial export sales.

Stability in world dairy trade is still some time away, given the EC's oversupply and subsidies and New Zealand's increases in milk production. Imbalance has become a structural feature. EC disposal internally to animal feed and heavy subsidization for export will remain a permanent feature of the Common Agricultural Policy.

Where Are the Markets?

The immediate outlook for international dairy trade is bleak, as stocks are high and prices low. Hopefully, U.S. policies will begin to achieve a better domestic balance between supply and demand.

In the meantime, competition for markets will remain tough and the United States will be required to use the tools available under the 1985 Farm Bill to be competitive.

Where are the markets for an additional 150,000 tons of dairy products?

Iraq, Saudi Arabia and Algeria have emerged as new consumers of New Zealand butter. Iraq has been buying between 3,000 and 6,000 tons of butter a year since 1980. Algeria entered the market in 1983/84 with 2,000 tons from New Zealand, and Saudi Arabia entered the market with a purchase of 4,400 tons from New Zealand.

There are opportunities for butter oil sales to Indonesia, the Philippines, Singapore, Malaysia, Mexico and Peru. Middle Eastern and sub-continent markets prefer butter oil for ghee as a cooking medium. Butter oil markets have been supplied primarily by the EC and New Zealand.

The pattern of international dairy trade in cheese is more complex than for other dairy products because of the diverse range of cheese varieties available. Outside of the United States and the EC, Japan is the largest consumer of cheese.

China is a potential market that should not be overlooked as other dairy producers are beginning to develop dairy market promotion activities there. ■

The author is U.S. agricultural attache in Wellington, New Zealand.

World Dairy Trade at a Glance

The world **butter and butter oil** market is dominated by the European Community (EC) and New Zealand. They account for 40 and 29 percent, respectively, of the market.

Variations in exports by other suppliers has been and remains important at the level of individual markets. But the key pattern of trade flows is determined by how exports from the EC and New Zealand are accommodated and split between the USSR and the Middle East.

In recent years, the important butter markets have been the USSR, Iran and Algeria, which together account for approximately 40 percent of total butter and butter oil imports.

The USSR, which has emerged a major butter importer, has been crucial to the EC as an avenue for the disposal of surplus stocks and to New Zealand in accommodating that country's reduced access to the EC.

High world prices in past years boosted New Zealand's export earnings and cut EC export subsidy costs. This all changed in 1985 when the EC sold butter below General Agreement on Tariffs and Trade (GATT) minimum prices and New Zealand followed by selling below world minimum prices as well.

As a result, New Zealand has been forced to search for new markets in the Middle East and North Africa due to EC-reduced butter quotas. The wealth generated from Middle East oil exports has facilitated an expansion of butter imports, a traditional item of Middle Eastern diets.

The United States and the European Community are the largest importers of **cheese.** Import controls in these two countries favor specialized varieties. Outside these areas, there is a measure of open competition among exporters for a limited market of 570,000 tons. The major market is Japan, where imports have grown to 82,000 tons supplied primarily by New Zealand, Australia and the EC.

International trade in **milk powder** is predominantly with developing countries. Whole milk powder exports have averaged around 700,000 tons in recent years, with the EC supplying over 70 percent and New Zealand most of the balance.

Nonfat dry milk exports are dominated by the EC, the United States, New Zealand, Australia and Canada, which account for 90 percent of world trade. Most U.S. exports have been through food aid.

In the **casein** market, New Zealand is the major supplier, followed by France, Ireland, the Netherlands and Poland. The major market is the United States. The Soviet Union is trying to persuade New Zealand to purchase 200 tons of its industrial casein in order to balance the trade with New Zealand. New Zealand does not consume casein and would probably try selling it in Japan or the United States.

Humble Potato Becomes 'Good-Meal Ambassador' to Japan

By Sandy Squires

The humble, unsexy potato has become America's "good-meal ambassador" to Japan, thanks to the market development work done by the National Potato Promotion Board.

In 1974, the Potato Board began the spadework to bring together Japanese consumers and the high-quality U.S. potato, rich in nutrition and versatility.

Today, Japan has earned the rank of the overseas potato capital for U.S. exporters by becoming the biggest buyer of U.S. frozen potato products.

As Japan's potato production has leveled off in recent years, its imports of frozen potatoes have risen to keep pace with the demand from the foodservice industry and the growing retail market.

Imports From U.S. Triple

During 1978-84, Japanese imports of frozen potato products more than tripled, going from 16,404 metric tons to 50,186 tons.

In contrast, Japan's domestic production has leveled at around 37,000 tons—a change of less than 1,500 tons in seven years. According to Japan's trade data, the import share of the market has ballooned from 29 percent to nearly 58 percent while the domestic share has dropped accordingly.

Japanese imports of U.S. frozen potatoes rose threefold during this period, shooting from 14,874 tons in 1978 to 44,282 in 1984. Preliminary figures show that 51,927 tons valued at $36,972 million were delivered in 1985.

Roughly nine of every 10 pounds of frozen potato products imported into Japan come from the United States. The U.S. share of the total Japanese potato market now stands at about one-half.

Restaurant Industry Leads Surge

The booming $85-billion restaurant industry has been the cornerstone of U.S. potato exports to Japan. Many fast-food outlets, family restaurants and hotels use U.S. potato products because of their superior quality.

American fast-food outlets are especially popular, so much so that Japanese consumers now spend an average of $33 a month on hamburgers and french fries. McDonald's, Kentucky Fried Chicken and Lotteria, a Japanese chain, use 20,000 tons of U.S. frozen fries per year. These three outlets alone account for almost half of all U.S. potato exports to Japan.

Family-style restaurants are also becoming a big hit with the Japanese consumer. By offering convenience, good prices and value, these restaurants have a special appeal to the 60 percent of Japanese women who work outside the home.

Stepping Up U.S. Promotions

Although there is broad usage of U.S. frozen products in the Japanese market, many Japanese businesses still use domestic products. The Potato Board conducts several programs to encourage them to switch to high-quality U.S. potatoes.

Ads in food service publications explain preparation methods and feature various recipes. Special brochures for foodservice outlets are distributed by the Board's information office in Tokyo.

And each March, the Board and U.S. potato processors sponsor a booth at the Hoteres/Foodex exhibits in Tokyo. Cooking seminars also are held for restaurants that use domestic products so they can experience U.S. quality potatoes firsthand.

Thus, Japanese consumers are becoming more and more aware of U.S. frozen potato products through the restaurant industry and are now beginning to serve them at home. Like their American counterparts, as more Japanese women enter the work force, their interest in Western menus and their dependence on processed foods when preparing meals and snacks is increasing.

Japan's retail market for frozen potato products is still small at only 16,000 tons, but the outlook for growth is promising.

Potato Board Spreads the Word

Working with U.S. potato processors and Japanese supermarkets, the Potato Board conducts in-store demonstrations, which help boost sales of U.S. potato products and generate interest and goodwill among Japanese homemakers.

Another way of spreading the word on the many uses of the American potato is through the cooking classes conducted jointly by the Board and processors for homemakers in their own neighborhoods. Consumer advertising, stressing the message of quality and convenience, also reaches many Japanese homemakers.

Meeting and Beating the Competition

The main competition in the Japanese frozen potato market comes from Canada and Japan itself. Canada remains the major export competitor. Canada's share of the import market seems to have leveled off. The Canadian market share was approximately 12 percent in 1983 and 1984.

However, the chief U.S. competitors are the Japanese. Although their market share has declined over the past five years, lower prices will continue to give domestic potatoes a competitive edge on U.S. exports.

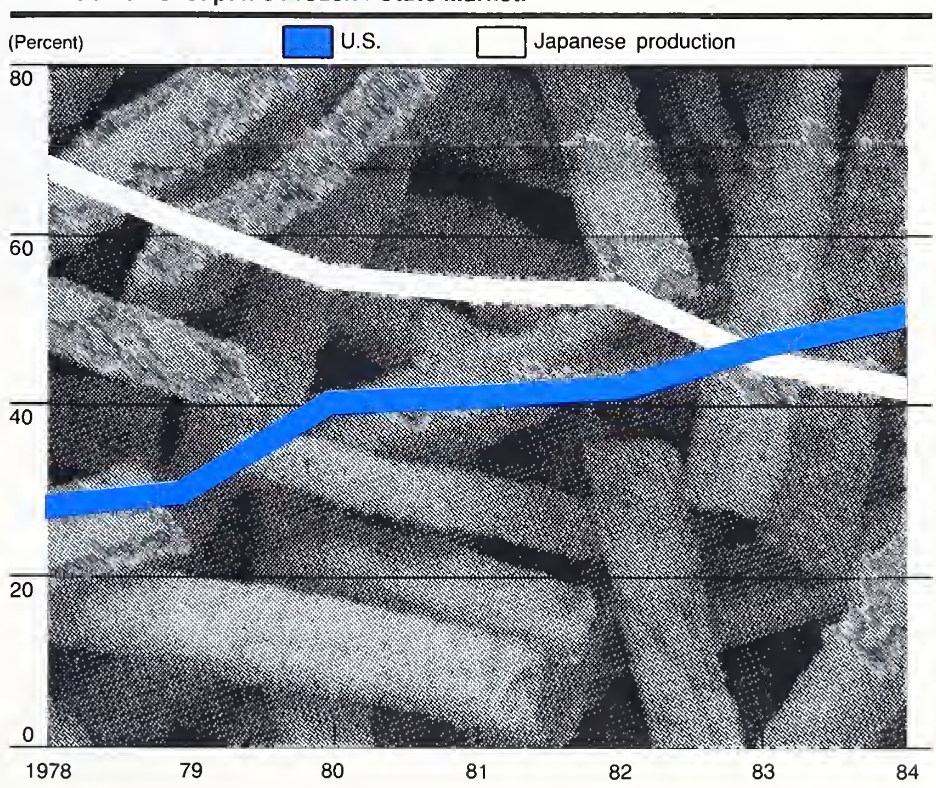
Nonetheless, exports of U.S. frozen potatoes to Japan should continue to grow dramatically in response to the twin demand of the food service industry for quality U.S. potatoes and the growing retail market. ■

The author is with the National Potato Promotion Board, Denver, Colorado. Tel. (303) 758-7783.

Seven Years of Sales Growth for U.S. Frozen Potatoes in Japan
(Metric tons)

Country	1978	1979	1980	1981	1982	1983	1984
U.S.	14,874	19,044	26,545	30,499	33,489	39,081	44,282
Canada	1,484	5,608	2,657	3,671	4,033	5,460	5,795
Others	46	49	nil	56	44	78	30
Total imports	**16,404**	**27,701**	**29,202**	**34,226**	**37,566**	**44,619**	**50,186**
Japanese production	35,796	38,661	26,009	40,115	42,825	37,466	37,134
Total market	**52,200**	**63,362**	**65,211**	**74,381**	**80,085**	**82,085**	**87,320**

U.S. Has Half of Japan's Frozen Potato Market.



U.S. Potted Plants Are Growing In Popularity in the U.K.

By W. Lynn Abbott

The British are recognized as great gardening enthusiasts the world over. Recently, their enthusiasm has taken on a new twist: interior landscaping. The trend is especially apparent in offices, restaurants and retail shops. Within this market is the potential for increased U.S. exports of larger sized foliage plants.

Fertile Market for U.S. Exports

The interior landscape market in the United Kingdom is especially accessible for exports from the United States. Of particular interest to the British are large (3-7 meter) specimens of woody tropical perennials, such as ficus benjamina.

While the market is not oriented toward desert-type plants, some large cacti have been gardened in Britain successfully. And the British are always interested in new species.

Continental European exports dominate the British market for smaller, tropical perennials. However, Dutch and Belgian greenhouse-grown foliage is not as desirable because it does not attain a true tree form. And U.K. production is limited to small potted plants.

Presently, the United Kingdom does not import deciduous trees for outdoor planting. U.K. and northern European nurseries already house most types of U.S. temperate stock.

New Cooperator Group Active in U.K.

The American Horticultural Marketing Council, which recently succeeded the Florida Nurserymen and Growers Association as an FAS cooperator, plans a significant marketing effort in the U.K. in the coming year.

The Council presented a one-day seminar at the National Garden Festival at Stoke-on-Trent in July. It will exhibit in London at IFTEX '86, a new international ornamental plant and flower trade show, in October.

The Council provides technical information to prospective buyers of large ornamental plants on their use and maintenance through technical manuals, seminars and video cassettes.

Foliage Exports Subject to Jet Lag

There are a few tips U.S. exporters of foliage plants should know about tackling the U.K. market. First of all, like any transatlantic passenger, plants suffer from jet lag. The large foliage plants exported from the United States are subjected to a 14-day transit across the Atlantic Ocean.

Subsequently, the plants require between three and 18 months to fully recover and accommodate to the light levels typical of the U.K. latitude. Careful "hardening" of U.S. plants destined for Britain is strongly recommended. Plants should be subjected to reduced light in the six months before shipping.

U.K. photosanitary requirements for potted plants are quite severe and necessitate special preparation for all plants intended for export to the United Kingdom. For more details, contact:

Plant Protection and Quarantine
Animal and Plant Health Inspection Service
U.S. Department of Agriculture
Federal Building
Hyattsville, MD 20705

Most U.K. plant importers have special shipping arrangements that must be adhered to. U.S. exporters need to discuss these directly with the importer. There is a 13-percent ad valorem duty imposed on all imports.

Following is a list of U.K. plant importers:

Acorn Nursery
Barrow Lane, Cheshunt
Hertfordshire, England EN7 5LL
Phone: 0992.27333
Telex: 883 766 ACORN
Contact: Alan Cornford

Gardenair Ltd.
Pitehouse Lane, Freshford
Near Bath, Avon, England BA3 6BJ
Phone: 022122.2655 or 2512
Telex: 449 053 PLANTS G
Contact: E.G. Walters

Paul Temple Ltd.
Temple Gardens, Holloway Lane
Hammondsworth, West Drayton
Middlesex, England UB7
Phone: 01.759 1437
Telex: 888080 AWAKE G
Contact: Paul Temple

Findlay Clark Ltd.
Boclair Road
Milngavie, Glasgow
Scotland G62 6EP
Phone: 0360.207 21
Telex: 779 757
Contact: David N. Clark

Plants at Work
Fairhaven Nurseries
Olveston, Bristol, England BS12 3AB
Phone: 0454.414 370
Telex: 449 752 CHACOM G PAW
Contact: Frank Corrie

Stuart Low Co. (Enfield) Ltd.
Parkview Nurseries, Crews Hill
Enfield, England EN2 9BQ
Phone: 01.363 0104
Telex: 21903
Contact: Renato Canale

Until recently, the author was the U.S. agricultural trade officer, London. Tel. (011-44-1) 499-0024.

"West Is Best," Say WUSATA States To Foreign Buyers

By James Youde

When foreign importers are interested in buying U.S. agricultural products, twelve state departments of agriculture say "West Is Best."

Whether the product is mung beans, sheep, wine or wood, the twelve Western states—through their regional trade association, the Western United States Agricultural Trade Association (WUSATA)—are out to prove to overseas buyers that the West is the region with everything.

West Has Variety, Location To Offer

Western U.S. agriculture, with its wide diversity of climatic conditions, produces over 200 different crop and livestock commodities. Thousands of consumer items are derived from these commodities.

While bulk commodity exports are important to the West, this region also produces a wider range of specialty, high-value foods and beverages than any other region in the world.

Expanded efforts are needed to sell more of these high-value Western foods in export markets. The WUSATA region is stragetically located to respond to fast-growing consumer demands for specialty foods in Pacific Rim markets, including Japan, Korea, Hong Kong, Singapore, Taiwan and Malaysia.

The 12 departments of agriculture that form WUSATA's core membership are Alaska, American Samoa,[1] California, Colorado, Hawaii, Idaho, Montana, New Mexico, Oregon, Utah, Washington and Wyoming.

These states are in their seventh year of jointly promoting exports of food and agricultural products. Export market development programs are carried out through a four-way partnership. This partnership is among the directors of agriculture of the states, the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture, exporters and importers/distributors.

How the Partnership Works

The directors of agriculture from these states guide WUSATA as its board of directors. The states' marketing officials work closely with the WUSATA staff to design and carry out marketing programs.

As a cooperator of the Foreign Agricultural Service, WUSATA coordinates its activities with the agency's Export Program Division, commodity divisions and foreign-post personnel in markets around the world. FAS contributes market development funds to support WUSATA's export activities.

Western companies with products to sell and a commitment to market development are also part of the partnership. They participate in a variety of WUSATA activities, including food show exhibits, menu and retail store promotions, development of promotional materials and trade missions.

Importers, Distributors, Consumers—The Key Link

Importers, distributors and consumers in foreign markerts also are linked with the region's food suppliers for increased exports from the Western United States. WUSATA's vital role is to assist in bringing buyers and sellers together.

All the partners share a common goal: expansion of international food product trade. Some of the regional group's recent marketing successes have included:

[1] For purposes of this article, American Samoa, which is actually a territory, is grouped with the states under the general category of state.

—Ice cream to Malaysia. As part of a supermarket promotion, WUSATA helped introduce high-quality U.S. ice cream to a market where only ice milk was available. Five repeat orders have been filled by the new-to-export company.

—Mung beans to Denmark. In response to an inquiry from the U.S. agricultural counselor in Copenhagen, WUSATA found a U.S. supplier of mung beans. After the Danish buyer purchased a trial shipment that met quality standards, a commercial sale was made, even though the U.S. price was substantially higher than a foreign competitor with a lower quality product.

—Cornnuts to Europe. As a participant in WUSATA's Value-Added Product Promotion Program, a company selling toasted corn snacks has expanded its marketing efforts and sales to the United Kingdom, France and Italy.

—Grocery products to Japan. A Japanese importer/retailer was looking for a source of U.S. grocery products. A new-to-export West Coast grocery wholesaler was seeking foreign customers. WUSATA put these parties in contact, which has resulted in regular monthly shipments of 20- and 40-foot containerloads of high-value grocery items over the past year.

—Slaughter sheep to Mexico. A WUSATA sales team met with importers and distributors from Mexico to determine their needs for more sheep to slaughter for the barbacoa (barbecue) trade. As a result, over 25,000 sheep and 5,000 goats were sold to Mexico from the WUSATA region. These sales helped to double prices of slaughter ewes in the West.

How Does WUSATA Choose Projects?

In choosing its market development activities, WUSATA examines several criteria:

—Is there potential for expanding exports, especially for new-to-market products and companies?

—Is there an emphasis on value-added products?

—Does the project complement programs of WUSATA states and other FAS cooperators?

Some of the export development activities WUSATA will be working on during the coming months include:

—**NASDA Food and Agriculture Exposition in Seattle, April 29-May 1, 1987.** This event is a key opportunity for U.S. firms to display their products to foreign buyers in an attractive, cost-effective setting. WUSATA is assisting member states in recruiting Western exhibitors to this show.

—**Improving export capabilities.** Many companies in the WUSATA region have products that could be exported if slight adaptations were made to meet specific overseas market requirements.

In addition, the management of many of these companies needs to become familiar with the "how-to's" of exporting their products. Often, these firms need to be made aware of the value of making a long-term commitment to export market development.

WUSATA will continue to work with state marketing officials and industry representatives to upgrade the export capabilities of companies with interesting products.

—**Value-Added Promotion Program.** WUSATA and the other regional cooperators have undertaken this matching-funds program with companies willing to make three-year commitments to foreign market development. Numerous marketing successes have been scored by Western firms with value-added/processed foods during the life of the program.

—**Various overseas market development projects.** WUSATA will continue to devote its energies to specific foreign market development events, working closely with other FAS cooperators and Western food and beverage suppliers, on such activities as menu promotions in Southeast Asia, wine tastings in Tokyo and Seoul, processed food shows in Singapore, Korea, France and Japan, and health food displays in Japan and Southeast Asia.

After seven years of success, WUSATA will keep its focus on new export market opportunities, help committed suppliers adapt their products and marketing plans in response to promising overseas opportunities, meet international and cost-effective market promotion and identify trade barriers that hinder the U.S. ability to compete on even terms with other suppliers.

In these ways, exports from the Western United States can be expanded, helping return profitability to farmers, food processors and marketing firms in the WUSATA region. ■

The author is executive director of the Western United States Agricultural Trade Association, Vancouver, Wash. Tel. (206) 574-2627.

Middle East Poultry Market Moving Toward Self-Sufficiency

By Leonidas Bill Emerson

Domestic production is rapidly replacing foreign supplies of broilers and eggs in the Middle East[1], the world's leading poultry import market.

Last year, Middle Eastern countries imported $400 million worth of poultry meat and $90 million worth of eggs. Poultry imports were down 7 percent and egg imports, 21 percent from calendar year 1984.

Plummeting oil revenues are reducing demand for all imported food, including poultry meat and eggs. Reduced incomes, coupled with this departure of expatriate oil field workers and service personnel, are expected to lead to a continued reduction in import demand.

Consequently, broiler purchases from the world's leading exporters—Brazil, France, the United States and Hungary—are stagnating or declining and price competition is keen.

However, consumption shifts and reduced local production subsidies may temper the downward turn in poultry and egg imports. Falling incomes are forcing many consumers to shift from red meats to relatively lower priced poultry products. In addition, cuts in poultry production subsidies by several Middle Eastern countries may slow the move to self-sufficiency in poultry production.

While the outlook for sales of poultry meat and eggs to the region appears to be declining, these countries will continue to be important markets for commodities such as grains, oilseeds, tallow and protein concentrates.

Here is a look at the poultry export prospects in some major Middle Eastern markets.

Egypt

Egypt's main sources of foreign exchange—oil exports, workers' remittances, tourism and Suez Canal tariffs—are all diminishing. Because of a

foreign exchange shortage and reduced government revenue, Egypt is moving more toward private sector importing.

However, the adjustment from subsidized public sector imports to free-market prices will be difficult. Although the government is committed to getting out of the market, it must find a way to eliminate subsidies without causing severe food shortages.

Production of eggs and broilers—regular staples of low-income Egyptian diets—is dependent upon imported corn because local corn is scarce and expensive. However, government plans to eliminate feed subsidies make it likely that the price of imported corn will rise.

In early 1986, chicken prices rose sharply, reflecting the expectation of reduced feed subsidies, as well as rising demand, inflation and economic instability.

Until the government is completely out of the feed supply market, no new facilities are being built and production and consumption probably will remain static.

The trade outlook is uncertain and market disruptions are possible as Egypt moves toward a free market.

U.S. poultry exports to Egypt have been boosted by the Export Enhancement Program. Under the program, 23,000 tons of U.S. poultry were sold to Egypt earlier this year with the assistance of Commodity Credit Corporation bonuses to U.S. exporters.

Last year, the United States sold 2,220 tons of poultry meat to Egypt compared to the 1984 level of 911 tons.

Iraq

The problems of the Iraq-Iran conflict and falling oil prices have made Iraq very price sensitive. The government must continue to keep consumers well fed but it can no longer afford to pay a premium for quality.

The drop in oil prices, upon which the Iraqi economy is based, has forced the government to ration foreign exchange.

Chicken, beef and dairy cattle are currently a number one import priority. But all import purchases must be approved by a government committee to assure that they represent the best combination of price and credit offers from all available suppliers.

Poultry production in Iraq has continued to expand despite periodic shortages of feed, veterinary supplies, fertile eggs and poults and slaughterhouse delays.

[1] In this article, Middle East refers to the countries of Bahrain, Egypt, Iraq, Kuwait, Saudi Arabia, Turkey and the United Arab Emirates.

When the hostilities end, Iraq should be in a good position to expand poultry production and to increase imports of grains and protein concentrates.

Although production prospects are difficult to forecast, most traders expect production to continue to rise 5-10 percent annually.

Turkey

The Turkish economy is benefiting from lower oil import prices and an opening of its economy to foreign investment. European and Japanese investors view Turkey as having excellent agricultural production potential and as being in a key location for foreign trade.

Capitalizing on its strategic location and low corn prices, Turkish poultry firms are expanding egg production and exports to nearby markets. Turkey has always supplied some eggs to Iraq, Iran and Syria, but now is gearing up for large volume, high-quality egg shipments to these and more distant markets.

Turkish egg producers have formed politically powerful market development associations to handle grading and exporting. These organizations work to assure quality control and to boost domestic consumption as well as exports.

Saudi Arabia

The Saudi broiler market is rapidly becoming self-sufficient and the egg market suffers from overproduction.

The broiler and egg output gains are the result of enormous production subsidies. However, these subsidies—50 percent of feed costs, interest-free loans which are often turned into free grants, low-cost water, etc.—are expected to be partially eliminated in 1986/87 to reduce budget expenditures. The government is expected to continue to protect the domestic market by raising import duties or suspending import licenses.

About 80 percent of Saudi Arabia's whole bird imports are from France, the rest from Brazil. All chicken parts come from the United States. Broiler meat imports are all lower priced frozen birds for the expatriate market.

Self-sufficiency in the broiler market is forecast in three to five years. Frozen broiler imports are expected to drop from 50,000 tons in 1984 to zero by 1990. The Saudis already are exporting small quantities of fresh broilers and are expected to boost exports substantially in the near future.

Egg production also is expected to continue to rise, although at a more gradual rate than previously. The Saudis are expected to boost their egg exports throughout the Gulf.

Bahrain, Kuwait and United Arab Emirates

The Persian Gulf countries of Bahrain, Kuwait and the United Arab Emirates are beginning to feel the economic impact of lower priced oil on their export earnings.

The Gulf markets are still quality conscious, but not as extravagant as they were in the recent past.

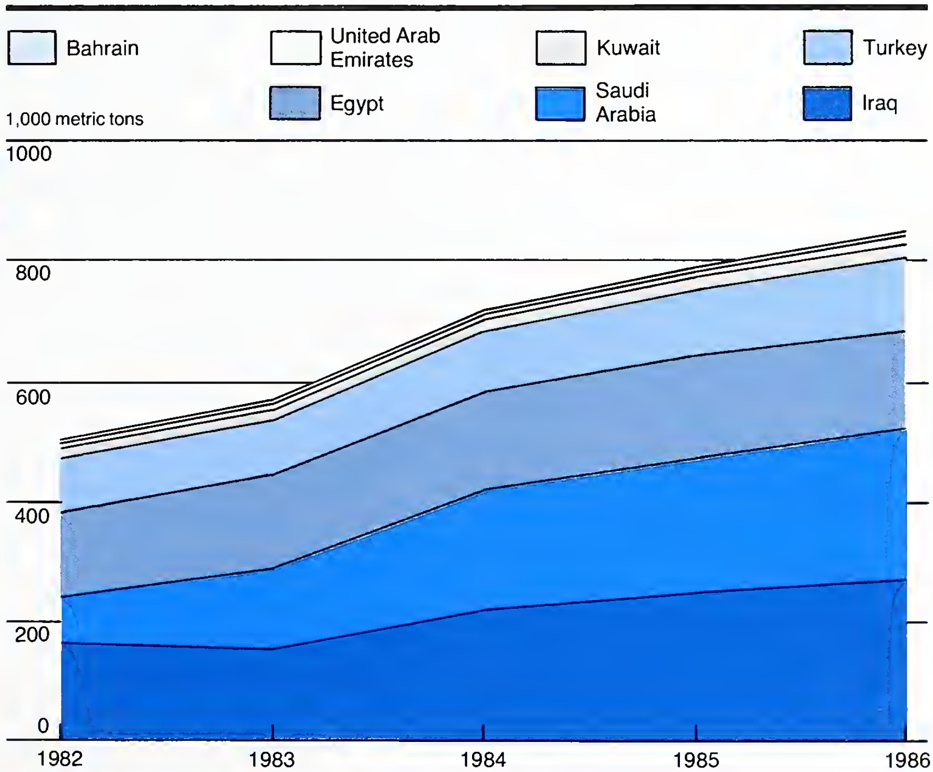
These countries tend to be low-volume markets because of their small populations and because of the rapid exodus of the expatriate population.

The United Arab Emirates (UAE) is the exception. The UAE imports and exports a high volume of goods since it often serves as an offloading port and distribution center for the neighboring Gulf countries of Oman, Qatar, Bahrain, Saudi Arabia and Kuwait. In addition, much of Iran's imports are transshipped from the UAE.

All of the Gulf countries are expanding poultry production because of the ready market outlet and the ease of production. These nations are expected to be self-sufficient in poultry production in two to four years. ■

The author is with the Dairy, Livestock and Poultry Division, FAS. Tel. (202) 447-7867.

Middle East Poultry Meat Production Continues To Rise Dramatically



Country Briefs

Japan

Import Demand for Forage Increasing Steadily

Japan's import demand for forage crops has been increasing steadily, partially in response to growing animal numbers, particularly beef cattle, and partially because of unstable domestic production. The U.S. share of the import market rose to 60 percent in 1985 from the previous year's 56 percent.

Imports of hay cubes are rapidly approaching 500,000 metric tons a year. Japanese farmers now recognize that hay cubes contain high nutrition and fiber and are better feed than beet pulp or rice straw. Imports of baled hay are also increasing because timothy hay is being fed not only to racehorses, but also to cattle. Although not necessarily related to nutritional value, Japanese farmers consider it very important that hay have a bright green color.

While U.S. cubed and baled forages are not necessarily price competitive in the Japanese market, no other suppliers can compete with the United States in terms of stable supply, reliable shipping schedule and container availability. The opening of California sites for fumigation makes U.S. hay available to the Japanese market year round with minimum chance for plant quarantine rejection. Generally, the Japanese trade contracts April-October shipments of California-origin first, then November-December shipments from the Pacific Northwest, followed by January-March shipments of Canadian-origin, all in the quest for bright green hay products.—*Bryant Wadsworth, U.S. Agricultural Counselor, Tokyo.*

Korea

Wheat Erodes U.S. Share Of Feed Grain Market

Korea's traditional reliance on corn for the bulk of its feed grain imports began to shift dramatically in 1983. Although a conscious desire to diversify grain imports, both in terms of origin and type, may have played a role in this change, a larger factor appears to have been the availability of large amounts of relatively inexpensive Australian wheat.

From an insignificant role in the total feed picture in 1982, feed wheat had captured more than one-fifth of Korea's feed grain import market by 1985. This year, the entry of European Community feed wheat has intensified the already strong competition in the Korean market between Australian and Canadian feed wheat, U.S. and Thai corn, and Thai manioc. As a result, during the first 15 weeks of 1986, the U.S. share of the Korean feed grain market fell to approximately 16 percent of total purchases, compared with 36 percent in 1985 and 99 percent in 1982.—*Daniel Conable, U.S. Agricultural Counselor, Seoul.*

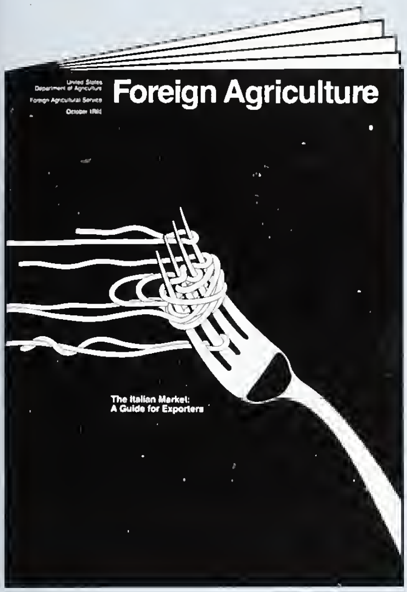
Singapore

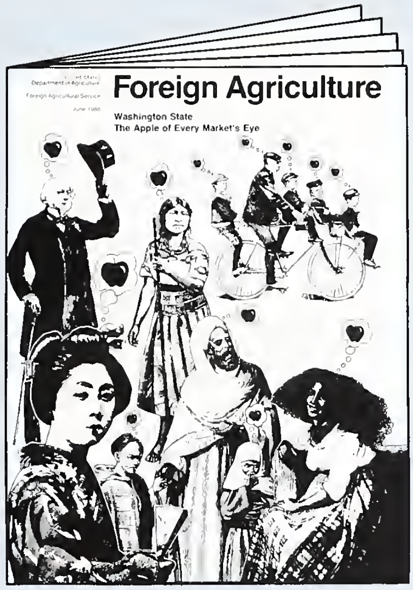
Plans for Dairy Herd Create Sales Opportunities

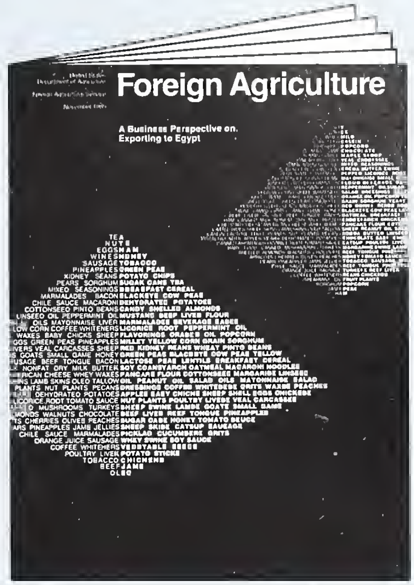
Singapore plans to begin production of fluid milk within the next year, and the establishment of a dairy herd could create sales opportunities for U.S. dairy animals. The dairy herd envisioned will consist of 500 animals. However, the project will begin with the selection of a small number of dairy animals—perhaps no more than six—to be imported from the United States, Australia and Europe. The animals will be tested and monitored, after which a decision will be made on the source for more stock purchases.

The dairy project is part of Singapore's overall scheme to concentrate on high-tech agriculture, including ornamental fish, commercial fish farming, plant breeding, breeding of exotic captive birds and research into animal genetics.

Currently, all of Singapore's fluid milk is imported from Australia. Because of the high price, many Singaporeans use whole milk powder, condensed millk or other such products to prepare their own milk.—*Peter O. Kurz, U.S. Agricultural Trade Officer, Singapore.*







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